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September 20, 2005

Honorable Joseph J. Farnan, Jr.
U.S. District Court for the
District of Delaware
844 North King Street
Lock Box 27
Wilmington, DE 19801

RE: *Magten v. Hanson et al.*, No. 05-0499 (JJF)

Dear Judge Farnam:

This letter is written in response to the letter dated September 16, 2005 to the Court from counsel for Magten Asset Management Corporation ("Magten") on behalf of Messrs. Hanson and Kindt, the defendants in the above-referenced action.

In their letter, counsel for Magten suggest that this Court should conduct a scheduling conference in all matters pending before the Court as detailed in Exhibit A to their letter. For the reasons discussed below, we respectfully suggest that a scheduling conference is premature and this Court need not at this time use its resources for such a purpose.

First, Appeal 05-0209 (JJF)¹ has been fully briefed and is ready for argument and disposition by this Court. As Magten correctly points out, resolution of this case may render moot all remaining issues in the underlying adversary proceeding of *Magten v. Hanson*. For that reason alone, a scheduling conference in *Magten v. Hanson* is premature.

Second, the Honorable Richard Cebull, U.S. District Judge for Montana, stayed all discovery in *Magten v. Hanson* and vacated all discovery and other pre-trial deadlines which he had previously set prior to transferring this matter to the U.S. District Court for the District of Delaware. As a result, and contrary to the suggestion made by Magten's counsel, no matters are currently pending before this Court in *Magten v. Hanson* which require immediate disposition or scheduling by this Court.

¹ The appeal was taken by Magten and Law Debenture of the Bankruptcy Court Order denying Magten and Law Debenture's joint 9019 motion for global settlement.

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Honorable Joseph J. Farnan, Jr.
September 20, 2005
Page 2

Third, as we pointed out to the Court in our filing concerning the status of this case, this case is interrelated with other cases pending before this Court, including the adversary proceeding brought by Magten against NorthWestern Corporation in which Magten alleges that the transfer of certain assets and liabilities from Clark Fork and Blackfoot LLC to NorthWestern Corporation -- the very transaction at issue in *Magten v. Hanson* -- was a fraudulent conveyance. That adversary proceeding has been stayed by the Bankruptcy Court pending Magten's appeal of the confirmation order in the *NorthWestern* Bankruptcy, docket no. 04-1389 (JJF). Until that docket is finally adjudicated, neither Magten's fraudulent conveyance action against NorthWestern nor *Magten v. Hanson* should go forward.

For the foregoing reasons, Messrs. Hanson and Kindt respectfully suggest that a scheduling conference in this case is premature until such time as Appeal 05-0209 and Appeal 04-1389 have been decided by this Court. Depending upon the disposition of these Appeals, a scheduling conference may then be beneficial to the Court and the parties to discuss additional matters going forward.

Respectfully,



Denise Seastone Kraft (Bar No. 2778)

cc: Clerk of the Court (via CMF)
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Honorable Joseph J. Farnan, Jr.
September 20, 2005
Page 3

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